

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Developing a Unified Intercarrier)	CC Docket No. 01-92
Compensation Regime)	

COMMENTS OF

COLUMBUS TELEPHONE COMPANY

MAY 23, 2005

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Summary

A major paradigm shift is taking place in that transport is going from circuit switched narrowband service to non-switched broadband service; transport is distance and density sensitive just like common line and should be handled in the same manner, with Universal Service Funding; Universal Service Funding for only narrowband services is now obsolete and to modernize must include broadband services as essential services; in rural America only one transport provider with an open network, to all service providers should be supported by the Universal Service Fund; and Universal Service to provide a ubiquitous nationwide network should be paid for by those benefiting from the ubiquitous nationwide network, with the most economical and unified method being to employ an network connection fee charge based on bandwidth.

Introduction

1. Columbus Telephone Company, is an independent local exchange carrier (ILEC), serving a rural area of reasonable density and is located a long distance from the state's LATA POP or Broadband interconnection point in the State of Kansas, respectfully submits comments regarding intercarrier compensation as follows:
2. The introduction to the *Notice of Proposed Rulemaking (NPRM)* begins with the statement; "With this *Notice of Proposed Rulemaking (NPRM)*, we begin a fundamental reexamination of all currently regulated forms of intercarrier compensation." Columbus Telephone Company agrees a fundamental and comprehensive reexamination of intercarrier compensation is needed. The industry had a very good form of intercarrier compensation, namely that of charging all service providers access charges on a per minute of use basis. It should be noted; the access charges contained a hidden subsidy for distance and density costs that properly should have been in a high cost fund in accordance with Public Policy. This was the case until the Federal Communication Commission (FCC) made certain assumptions inconsistent with the good form of intercarrier compensation. We believe that FCC erroneously assumes that 'enhanced services' are local services and

in particular that “Internet services are enhanced services” and therefore do not have to pay usage sensitive access charges even though they significantly increase usage of usage sensitive equipment.

3. **Problems face by the rural telecommunications industry:**

- a. The conflicting Public Policy goals of Universal Service and Competition being incongruent in rural areas. Stated another way, the conflicting Public Policy goals of competitive telecommunications services available to every household in the country on a cost efficient basis. In rural areas, over time completion either brings additional cost or less service, and it is usually the latter case of less service.
- b. The Universal Service Fund does not provide funding for broadband services, such as the Internet, in rural America. The Internet is the primary cause of the paradigm shift in intercarrier compensation, because of the bandwidth required to support the various services, such as video streaming.

4. **History of Universal Service in rural areas:**

The telephone industry has evolved since its inception, to nationwide network, because the AT&T system used toll service to subsidize telephone connections in rural America. As you know, it

is not cost effective to provide telephone service in rural America at \$15-\$20 per month per subscriber because of the cost of the lines in a low density area many miles from the nearest high density area, such as Wichita, Topeka, Salina, or Kansas City, the distance/density issue. That is the reason small rural telephone companies exist; they provide service in areas costing upwards to \$1,000 per month per subscriber that otherwise would have been unprofitable and not served by large system companies. Small rural telephone companies did this by using settlements from AT&T to cover the difference between the real cost of service and the amount charged to the local ratepayer.

In 1984, a paradigm shift took place when the settlements changed to access charges for toll services between interexchange carriers and local exchange carriers. The access charge regime divided the circuit switched costs between Common Line, Switching, Transport and Special Access. The Universal Service Fund covered the distance and density problems of the Common Line, that piece of wire from the Central Office to the Customer Premises. Access charges at much higher than average nationwide rates helped pay for the distance and density costs of switching, transport, special access. The higher access charges in rural areas, recovered the

costs, but did not remove the subsidy included in the charges. The rural customers paid the price for these higher access charges by not receiving the same discounted toll and other services available in urban areas. The rural customers were relegated to second class citizens. We don't want to see that happen again!

Again a major paradigm shift is taking place when one considers Voice over Internet Protocol (VOIP) an internet based telephone service utilizing broadband technology. It is important to note that previously only telephone service and some information services utilizing the circuit switched technology were provided over the narrowband telephone network. Now however, broadband technology is a transport pipe carrying many types of services, such as Internet, VOIP, video streaming, etc. The traditional switch is being replaced with a router/concentrator, and no longer can be classified as a switch because that function no longer occurs. In essence, the paradigm shift is that transport is going from narrow band circuit switching to broadband non-switched transport. Transport has the same distance and density issues as common line and those issues must be dealt with in the same manner.

Another important part of the paradigm shift is who will pay for the bandwidth this technology requires. In the past toll charges paid for the toll network costs and local service rates paid for the local network costs. Now however with services being transported over the broadband, the service providers do not want to pay the cost of the bandwidth required to provide their services to the end-user customer, which shifts the obligation to the end-user customer for costs of terminating these services to his or her household. In urban areas, such as Wichita, Topeka, Salina, or Kansas City, the additional cost per subscriber per month is marginal because of the density of these areas. However in rural areas, the additional marginal cost which is mainly transport can easily increase local rates per household up to \$60 or more per month in some areas. In order to move forward in this paradigm shift and not leave rural Americans as second class citizens we recommend the following solution.

5. Solution:

Include in the Universal Service funding not only what is currently called Common Line, but also what is currently called Transport (i.e. bandwidth) to the nearest broadband Internet connection. The

new soft switch technology, at a much lower cost, is not switching at all, but in reality is a concentrator with software routing capability, removable when no longer needed and would qualify as common line equipment under today's Universal Service funding rules. This proposal would definitely increase the size of the fund, but we propose a separate fund be established and funded by both service providers and end-users that require bandwidth to connect to the ubiquitous nationwide network. Each subscriber would also be charged a monthly connection fee, based on their predetermined bandwidth requirement for connecting to the ubiquitous nationwide network. It would not be a tax for governmental purposes, but the price of being able to obtain and provide services over the ubiquitous nationwide network. In many cases the rural customer may be the best customers to these electronic vendors of goods and services because they have heretofore not had the same access to products and services as urban customers.

Our solution is easy to implement as the rules are already in place for Universal Service funding and we would only have to include the transport connection fee as part of Common Line.

At this point it is important to decide if the desire is to provide competition and customer choice for services and/or for the transport over which the services ride. In urban areas, there could be several providers of transport, with the customer deciding which transport company best provides for his or her needs at a cost that is somewhat reasonable on a per subscriber basis.

In rural America, where Universal Service funding is required to bring transport services to every home, it would be much more efficient to have only one transport provider, with an open network allowing the customer to choose the service provider and the applications they want from that provider. We recommend in rural areas, Universal Service be provided for only one broadband service provider with an open network.

The next question is the quality of service required for that one broadband service provider. Currently the wireline carriers are required to provide service at 99.999% of the time and build their network and staff to provide that quality of service. However, if Universal Service Funding is provided to networks, providing a quality of service less than 99.999% of the time, then the current networks should also be allowed to provide a lower quality of

service, thus incurring less cost and therefore requiring less Universal Service Funding. A lower quality of service would of course place the rural customer in a secondary class of citizen, thus defeating public policy requirements.

In conclusion the future intercarrier compensation plan must not place into jeopardy universal service to the telephone customers of rural America, it must not jeopardize the providers who currently provide the service, and finally it must not jeopardize the ubiquity of the network and it must not commit the wrong parties to pay for the network. The five major points that must be concerned in any new plan are:

1. A major paradigm shift is taking place in that transport is going from circuit switched narrowband service to non-switched broadband service;
2. Transport is distance and density sensitive just like common line and should be handled in the same manner, with Universal Service Funding;

3. Universal Service Funding for only narrowband services is now obsolete and to modernize must include broadband services as essential services;
4. In rural America only one transport provider with an open network, to all service providers should be supported by the Universal Service Fund; and
5. Universal Service to provide a ubiquitous nationwide network should be paid for by those benefiting from the ubiquitous nationwide network, namely those providing products and services for pay over the Internet network and those receiving services over the Internet network.

Respectfully submitted this 23rd day of May, 2005.

By: _____

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